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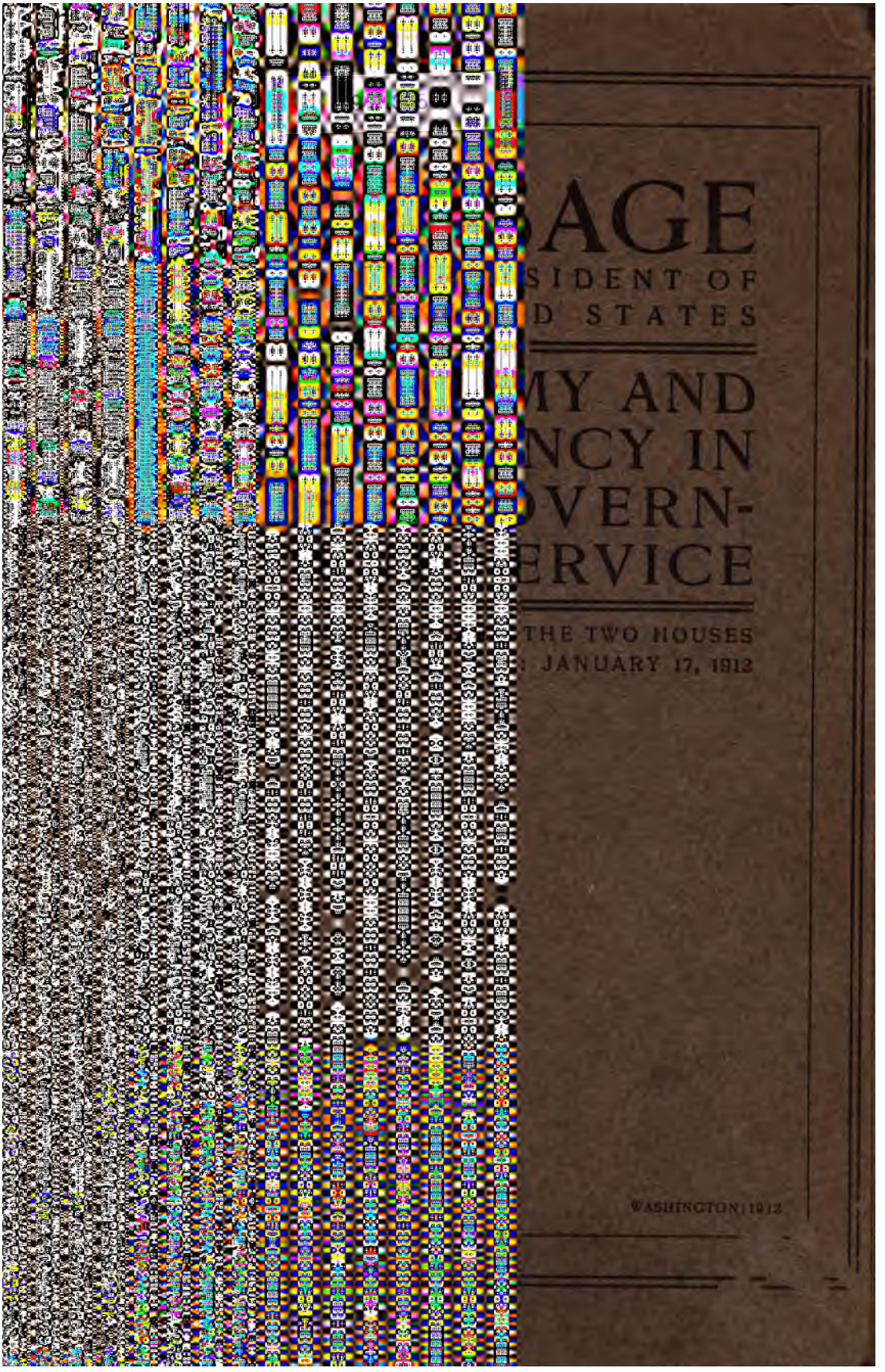
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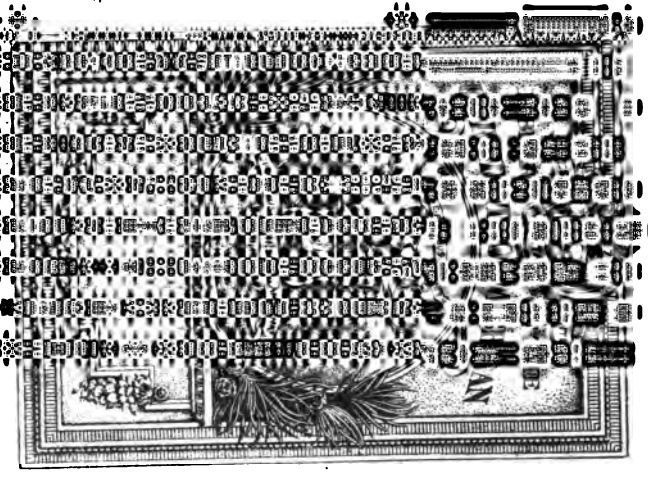

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U.S. President, 1909-1913 (Taft)

MESSAGE

OF THE PRESIDENT OF THE UNITED STATES

ON

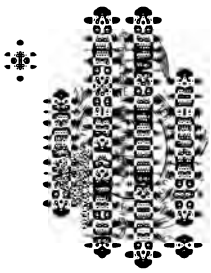
ECONOMY *and* EFFICIENCY

IN THE

GOVERNMENT SERVICE

COMMUNICATED TO THE
TWO HOUSES OF CONGRESS
JANUARY 17, 1912

WASHINGTON
1912



MESSAGE.

To the Senate and House of Representatives:

I submit for the information of the Congress this report of progress made in the inquiry into the efficiency and economy of the methods of transacting public business.

Efficiency and economy in the Government service have been demanded with increasing insistence for a generation. Real economy is the result of efficient organization. By perfecting the organization the same benefits may be obtained at less expense. A reduction in the total of the annual appropriations is not in itself a proof of economy, since it is often accompanied by a decrease in efficiency. The needs of the Nation may demand a large increase of expenditure, yet to keep the total appropriations within the expected revenue is necessary to the maintenance of public credit.

Upon the President must rest a large share of the responsibility for the demands made upon the Treasury for the current administration of the executive branch of the Government. Upon the Congress must rest responsibility for those grants of public funds which are made for other purposes.

REASON FOR THE INQUIRY.

Recognizing my share of responsibility for efficient and economical administration, I have endeavored during the past two years, with the assistance of heads of departments, to secure the best results. As one of the means to this end I requested a grant from Congress to make my efforts more effective.

An appropriation of $100,000 was made June 25, 1910, "to enable the President to inquire into the methods of transacting the public business of the executive departments and other Government establishments and to recommend to Congress such legislation as may be necessary to carry into effect changes found to be desirable that can not be accomplished by Executive action alone." I have been given this fund to enable me

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to take action and to make specific recommendations with respect to the details of transacting the business of an organization whose activities are almost as varied as those of the entire business world. The operations of the Government affect the interest of every person living within the jurisdiction of the United States. Its organization embraces stations and centers of work located in every city and in many local subdivisions of the country. Its gross expenditures amount to nearly $1,000,000,000 annually. Including the personnel of the Military and Naval Establishments, more than 400,000 persons are required to do the work imposed by law upon the executive branch of the Government.

MAGNITUDE OF THE TASK.

This vast organization has never been studied in detail as one piece of administrative mechanism. Never have the foundations been laid for a thorough consideration of the relations of all of its parts. No comprehensive effort has been made to list its multifarious activities or to group them in such a way as to present a clear picture of what the Government is doing. Never has a complete description been given of the agencies through which these activities are performed. At no time has the attempt been made to study all of these activities and agencies with a view to the assignment of each activity to the agency best fitted for its performance, to the avoidance of duplication of plant and work, to the integration of all administrative agencies of the Government, so far as may be practicable, into a unified organization for the most effective and economical dispatch of public business.

FIRST COMPLETE INVESTIGATION.

Notwithstanding that voluminous reports are compiled annually and presented to the Congress, no satisfactory statement has ever been published of the financial transactions of the Government as a whole. Provision is made for due accountability for all moneys coming into the hands of officers of the Government, whether as collectors of revenue or disbursing agents, and for insuring that authorizations for expenditures as made by law shall not be exceeded. But no general system

has ever been devised for reporting and presenting information regarding the character of the expenditures made, in such a way as to reveal the actual costs entailed in the operation of individual services and in the performance of particular undertakings; nor in such a way as to make possible the exercise of intelligent judgment regarding the discretion displayed in making expenditure and concerning the value of the results obtained when contrasted with the sacrifices required. Although earnest efforts have been put forth by administrative officers and though many special inquiries have been made by the Congress, no exhaustive investigation has ever before been instituted concerning the methods employed in the transaction of public business with a view to the adoption of the practices and procedure best fitted to secure the transaction of such business with maximum dispatch, economy, and efficiency.

With large interests at stake the Congress and the Administration have never had all the information which should be currently available if the most intelligent direction is to be given to the business in hand.

I am convinced that results which are really worth while can not be secured, or at least can be secured only in small part, through the prosecution at irregular intervals of special inquiries bearing on particular services or features of administration. The benefits thus obtained must be but temporary. The problem of good administration is not one that can be solved at one time. It is a continuously present one.

PLAN OF THE WORK.

In accordance with my instructions, the Commission on Economy and Efficiency, which I organized to aid me in the inquiry, has directed its efforts primarily to the formulation of concrete recommendations looking to the betterment of the fundamental conditions under which governmental operations must be carried on. With a basis thus laid, it has proceeded to the prosecution of detailed studies of individual services and classes of work, and of particular practices and methods, pushing these studies as far, and covering as many points and services, as the resources and time at its disposal have permitted.

In approaching its task it has divided the work into five fields of inquiry having to do respectively with organization, personnel, business methods, accounting and reporting, and the budget.

ORGANIZATION.

I have stated that the Congress, the President, and the administrative officers are attempting to discharge the duties with which they are intrusted without full information as to the agencies through which the work of the Government is being performed. To provide more complete information on this point the commission has submitted to me a report on the organization of the Government as it existed July 1, 1911. This report, which is transmitted herewith, shows in great detail, by means of outlines, not only the departments, commissions, bureaus, and offices through which the Government performs its varied activities, but also the sections, shops, field stations, etc., constituting the subordinate divisions through which the work is actually done. It shows for the services at Washington each such final unit as a laboratory, library, shop, and administrative subdivision; and for the services outside of Washington each station and point at which any activity of the Government is carried on.

OUTLINES OF ORGANIZATION.

From these outlines it is possible to determine not only how each department, bureau, and operating unit, such as a navy yard, is organized, but also, by classifying these units by character and geographical location, the number of units of a like character that exist at Washington, and the number and character of services of the Government in each city or other point in the United States. With this information available, it is possible to study any particular activity or the problem of maintaining services at any given city or point.

Information of this character has never before been available. Administrative officials have been called upon to discharge their duties without that full knowledge of the machinery under their direction which is so necessary to the exercise of effective control; much less have they had informa-

tion regarding agencies in other services that might be made use of. Under such circumstances each service is compelled to rely upon itself, to build up its own organization, and to provide its own facilities regardless of those in existence elsewhere.

This outline has been prepared on the loose-leaf system, so that it is possible to keep it revised to date at little or no expense. The outline thus constitutes a work of permanent value.

COMPREHENSIVE PLAN OF ORGANIZATION.

With this outline as a basis, the commission has entered upon the preparation of three series of reports. The first series deals with the manner in which the services of the Government should be grouped in departments. This is a matter of fundamental importance. It is only after a satisfactory solution of this problem that many important measures of reform become possible. Only by grouping services according to their character can substantial progress be made in eliminating duplication of work and plant and proper working relations be established between services engaged in similar activities. Until the head of a department is called upon to deal exclusively with matters falling in but one or a very few distinct fields, effective supervision and control is impossible. As long as the same department embraces services so diverse in character as those of life saving and the management of public finances, standardization of accounting methods and of other business practices is exceedingly difficult of attainment.

So dependent are other reforms upon the proper grouping of services that I have instructed the commission to indicate in its report the changes which should be made in the existing organization and to proceed in the same way as would far-seeing architects or engineers in planning for the improvement and development of a great city. My desire is to secure and to furnish to the Congress a scheme of organization that can be used as a basis of discussion and action for years to come.

In the past services have been created one by one as exigencies have seemed to demand, with little or no reference to any scheme of organization of the Government as a whole. I am

convinced that the time has come when the Government should take stock of all its activities and agencies and formulate a comprehensive plan with reference to which future changes may be made. The report of the commission is being prepared with this idea in mind. When completed it will be transmitted to the Congress. The recommendations will be of such a character that they can be acted upon one by one if they commend themselves to the Congress and as action in regard to any one of them is deemed to be urgent.

REPORTS ON PARTICULAR SERVICES.

The second and third series of reports deal, respectively, with the organization and activities of particular services, and the form of organization for the performance of particular business operations.

One of the reports of the second series is upon the Revenue-Cutter Service, which costs the Government over two and a half million dollars each year. In the opinion of the commission its varied activities can be performed with equal, or greater, advantage by other services. The commission, therefore, recommends that it be abolished. It is estimated that by so doing a saving of not less than $1,000,000 a year can be made.

Another report illustrating the second series recommends that the Lighthouse and Life-Saving Services be administered by a single bureau instead of as at present by two bureaus located in different departments. These services have much in common. Geographically, they are similarly located; administratively, they have many of the same problems. It is estimated that consolidation would result in a saving of not less than $100,000 annually.

In a third report the commission has recommended the abolition of the Returns Office of the Department of the Interior. This action, in its opinion, will cause no loss in service to the public and will result in a direct saving of not less than $25,000 a year, in addition to a large indirect economy in the reduction of work to be performed in the several offices.

In another report the commission has recommended the consolidation of the six auditing offices of the Treasury and the inclusion in the auditing system of the seven naval officers

who now audit customs accounts at the principal ports. The changes recommended will improve in many ways the auditing of public accounts and will result in an immediate saving of at least $135,000 annually.

GENERAL TECHNICAL SERVICES.

A third series of reports is being prepared on those branches of the organization which are technical in character and which exist for the service of the Government as a whole—branches which have to do with such matters as public printing, heating, lighting, the making of repairs, the providing of transportation, and the compilation of statistics where mechanical equipment is essential.

ABOLITION OF LOCAL OFFICES.

Perhaps the part of the organization in which the greatest economy in public expenditure is possible is to be found in the numerous local offices of the Government. In some instances the establishment and the discontinuance of these local offices are matters of administrative discretion. In other instances they are established by permanent law in such a manner that their discontinuance is beyond the power of the President or that of any executive officer. In a number of services these laws were passed nearly a century ago. Changes in economic conditions have taken place which have had the effect of rendering certain offices not only useless but even worse than useless in that their very existence needlessly swells expenditures and complicates the administrative system.

The attention of the Congress has been called repeatedly to these conditions. In some instances the Congress has approved recommendations for the abolition of useless positions. In other cases not only do the recommendations of the Executive that useless positions be abolished remain unheeded, but laws are passed to establish new offices at places where they are not needed.

The responsibility for the maintenance of these conditions must naturally be divided between the Congress and the Executive. But that the Executive has performed his duty when he has called the attention of the Congress to the matter must also be admitted. Realizing my responsibility in the premises, I

have directed the commission to prepare a report setting forth the positions in the local services of the Government which may be discontinued with advantage, the saving which would result from such action and the changes in law which are necessary to carry into effect changes in organization found to be desirable. On the coming in of the report, such offices as may be found useless and can be abolished will be so treated by Executive order.

PERSONNEL.

In my recent message to the Congress I urged consideration of the necessity of placing in the classified service all of the local officers under the Departments of the Treasury, the Interior, Post Office, and Commerce and Labor.

CLASSIFICATION OF LOCAL OFFICERS.

The importance of the existence of a competent and reasonably permanent civil service was not appreciated until the last quarter of the last century. At that time examinations were instituted as a means of ascertaining whether candidates for appointment possessed the requisite qualifications for Government positions. Since then it has come to be universally admitted that entrance to almost every subordinate position in the public service should be dependent upon the proof in some appropriate way of the ability of the appointee.

As yet, however, little if any attempt has been made by law to secure, either for the higher administrative positions in the service at Washington or for local offices, the qualifications which the incumbents of these positions must have if the business of the Government is to be conducted in the most efficient and economical manner. Furthermore, in the case of many of the local officers the law positively provides that the term of office shall be of four years' duration.

The next step which must be taken is to require of heads of bureaus in the departments at Washington, and of most of the local officers under the departments, qualifications of capacity similar to those now required of certain heads of bureaus and of local officers. The extension of the merit system to these

officers and a needed readjustment of salaries will have important effects in securing greater economy and efficiency.

In the first place, the possession by the incumbents of these positions of the requisite qualifications must in itself promote efficiency.

In the second place, the removal of local officers from the realm of political patronage in many cases would reduce the pay roll of the field services. At the present time the incumbents of many of these positions leave the actual performance of many of their duties to deputies and assistants. The Government often pays two persons for doing work that could easily be done by one. What is the loss to the Government can not be stated, but that it is very large can not be denied, when it is remembered how numerous are the local officers in the postal, customs, internal revenue, public lands, and other field services of the Government.

In the third place, so long as local officers are within the sphere of political patronage it is difficult to consider the question of the establishment or discontinuance of local offices apart from the effect upon local political situations.

Finally, the view that these various offices are to be filled as a result of political considerations has for its consequence the necessity that the President and Members of Congress devote to matters of patronage time which they should devote to questions of policy and administration.

The greatest economy and efficiency, and the benefits which may accrue from the President's devoting his time to the work which is most worth while, may be assured only by treating all the distinctly administrative officers in the departments at Washington and in the field in the same way as inferior officers have been treated. The time has come when all these officers should be placed in the classified service. The time has also come when those provisions of law which give to these officers a fixed term of years should be repealed. So long as a fixed term is provided by law the question of reappointment of an officer, no matter how efficiently he may have performed his duties, will inevitably be raised periodically. So long as appointments to these offices must be confirmed by the Senate,

and so long as appointments to them must be made every four years, just so long will it be impossible to provide a force of employees with a reasonably permanent tenure who are qualified by reason of education and training to do the best work.

SUPERANNUATION.

Attention has been directed in recent years to the need of a suitable plan of retiring the superannuated employees in the executive civil service. In the belief that it is desirable that any steps toward the establishment of such a plan shall be taken with caution, I instructed the commission to make an inquiry first into the conditions at Washington. This inquiry has been directed to the ascertainment of the extent to which superannuation now exists and to the consideration of the availability of the various plans which either have been proposed for adoption in this country or have actually been adopted in other countries. I shall submit, in the near future, for the consideration of the Congress a plan for the retirement of aged employees in the civil service which will safeguard the interests of the Government and at the same time make reasonable provision for the needs of those who have given the best part of their lives to the service of the State.

EFFICIENCY OF PERSONNEL.

I have caused inquiry to be made into the character of the appointees from the point of view of efficiency and competence which has resulted from present methods of appointment; into the present relation of compensation to the character of work done; into the existing methods of promotion and the keeping of efficiency records in the various departments; and into the conditions of work in Government offices. This inquiry will help to determine to what extent conditions of work are uniform in the different departments and how far uniformity in such conditions will tend to improve the service. I have felt that satisfaction with the conditions in which they worked was a necessary prerequisite to an efficient personnel, and that satisfaction was not to be expected where conditions in one department were less favorable than in another.

This inquiry has not been completed. When it has been ascertained that evils exist which can be remedied through the exercise of the powers now vested in the President, I shall endeavor to remedy those evils. Where that is not the case, I shall present for the consideration of the Congress plans which, I believe, will be followed by great improvement in the service.

BUSINESS METHODS.

In every case where technical processes have been studied it has been demonstrated beyond question that large economies may be effected. The subjects first approached were those which lie close to each administrator, viz, office practices. An illustration of the possibilities within this field may be found in the results of the inquiry into the methods of handling and filing correspondence. Every office in the Government has reported its methods to the commission. These reports brought to light the fact that present methods were quite the reverse of uniform. Some offices follow the practice of briefing all correspondence; some do not. Some have flat files; others fold all papers before filing. Some use press copies; others retain only carbon copies.

UNNECESSARY COST OF HANDLING AND FILING CORRESPONDENCE.

The reports also show not only a very wide range in the methods of doing this comparatively simple part of the Government business, but an extraordinary range in cost. For the handling of incoming mail the averages of cost by departments vary from $5.84 to $81.40 per 1,000. For the handling of outgoing mail the averages by departments vary from $5.94 to $69.89 per 1,000. This does not include the cost of preparation, but is confined merely to the physical side of the work. The variations between individual offices is many times greater than that shown for averages by departments.

It is at once evident either that it is costing some of the offices too little or that others are being run at an unwarranted expense. Nor are these variations explained by differences in character of work. For example, there are two departments which handle practically the same kind of business and in

very large volume. The average cost of handling incoming mail to one was found to be over six times as great as the cost of handling incoming mail to the other.

It has been found that differences of average cost by departments closely follow differences in method and that the greatest cost is found in the department where the method is most involved. Another fact is of interest, viz, that in two departments, which already show low averages, orders have been issued which will lead to a large saving without impairing efficiency. It can not be said what the saving ultimately will be when the attention of officers in all of the departments has been focused on present methods with a view to changing them in such manner as to reduce cost to the lowest point compatible with efficient service. It, however, must be a considerable percentage of nearly $5,000,000, the total estimated cost of handling this part of the Government business at Washington.

Results have already been obtained which are noteworthy. Mention has been made of the orders issued by two departments. Of these the order of one is most revolutionary in character, since it requires flat filing, where before all correspondence was folded; the doing away with letterpress copies; and the discontinuance of indorsements on slips, one of the most expensive processes and one which in the other department has been carried to very great length.

NEED FOR LABOR-SAVING OFFICE DEVICES.

The use of labor-saving office devices in the service has been made the subject of special inquiry. An impression prevails that the Government is not making use of mechanical devices for economizing labor to the same extent as are efficiently managed private enterprises. A study has been made of the extent to which devices of this character are now being employed in the several branches of the Government and the opportunities that exist for their more general use. In order to secure information as to the various kinds of labor-saving devices that are in existence and as to their adaptability to Government work, an exhibition of labor-saving office appliances was held in Washington from July 6 to 15, 1911. One hundred and ten manufacturers and dealers participated, and

more than 10,000 officers and employees visited the exhibition. There is no doubt that the exhibition served the purpose of bringing to the attention of officers devices which can be employed by them with advantage. The holding of this exhibition was, however, but a step preparatory to the contemplated investigation.

UNNECESSARY COST OF COPY WORK.

The efforts of the commission resulted also in the adoption by several bureaus or departments of improved methods of doing copying. The amount of copy work heretofore done by hand each year in the many offices is estimated to aggregate several hundred thousand dollars. The commission exhibited, at its offices, appliances that were thought to be especially adapted to this kind of Government work. Following these demonstrations methods of copying were introduced which have brought about a saving of over 75 per cent in offices where used for six months. This change in one small cross section of office practice will more than offset the whole cost of my inquiry.

WASTE IN THE DISTRIBUTION OF PUBLIC DOCUMENTS.

Going outside the office, one of the business processes which have been investigated is the distribution of departmental documents. This is a subject with which both the Congress and Administration heads are familiar. The prevailing practice in handling departmental publications is to have them manufactured at the Government Printing Office; each job when completed is delivered to the department; here the books or pamphlets are wrapped and addressed; they are then sent to the post office; there they are assorted and prepared for shipment through the mails; from the post office they are sent to the railroad station, which is only a few steps from the Government Printing Office, whence they started. The results of this laborious and circuitous method is to make the use of the best mechanical equipment impracticable and to waste each year not less than a quarter of a million dollars of Government funds in useless handling, to say nothing of the indirect loss due to lack of proper coordination.

WASTEFUL USE OF PROPERTIES AND EQUIPMENT.

The use of equipment is a matter which also has been investigated. Up to the present time this investigation has been in the main confined to the subject of electric lighting. The Government pays over $600,000 per year for electric current; it has made large capital outlays for wiring and fixtures. With the increasing demands in many buildings the present equipment is taxed to its limit and if the present methods are continued much of this wiring must be done over; in many places employees are working at a great physical disadvantage, due to inadequate and improper lighting, and thereby with reduced efficiency. In every place where the inquiry has been conducted it appears that there is large waste; that without the cost of rewiring, simply by giving proper attention to location of lights and the use of proper lamps and reflectors, the light efficiency at points where needed may be much increased and the cost of current reduced from 30 to 60 per cent. Other inquiries into the use which is being made of properties and equipment are contemplated which promise even larger results.

UNNECESSARY COST OF INSURANCE.

It is the policy of the Government not to insure public property against fire and other losses. Question has been raised whether the Government might not apply the same principle to other forms of risk, including insurance of the fidelity of officials and employees. A report is now in preparation on the subject which will show opportunities for large savings. I believe that the present expense for insuring the faithful execution of contracts, which, though paid by the contractor, is more than covered in the added price to the Government, can be largely reduced without taking away any element of security.

LACK OF SPECIFICATIONS.

The importance of establishing and maintaining standard specifications is found not only in the possibility of very materially reducing the direct cost of Government trading, but also in insuring to the service materials, supplies, and equipment which are better adapted to its purposes. One of the results of indefiniteness of specifications is to impose contract

conditions which make it extra-hazardous for persons to enter into contractual relations. This not only deprives the Government of the advantage of broad competition, but causes it to pay an added margin in price to vendors who must carry the risk. The specifications which may have been worked out in one department usually differ from specifications for the same article to be used in another department. Much progress has been made toward improving this condition through the schedules of the General Supply Committee, but there are many classes of supplies not on these lists which may be standardized, and the articles which are there listed may be specified with exactness.

In connection with standard specifications for purchasing, the subject of a standard form of contract has been given consideration. No one form or small number of forms will be applicable to all the agreements into which the Government enters. There can be standard conditions and provisions for such contracts, however, and the work in this connection is being prosecuted in an effort to simplify the forms of contracts and to do away with the great diversity of requirements which so often perplex and irritate those who wish to enter into a contract with the Government.

EXCESSIVE COST OF TRAVEL.

One of the first steps taken toward constructive work was the reclassification of the expenditures for the year 1910 by objects. The foundation was thus made for the investigation of Government trading practices. While it was recognized that this large field could not be covered within a year except at enormous cost, the subjects of "Transportation of persons" and "Subsistence while in travel status" were taken as concrete examples. The annual cost of travel to the Government was found to be about $12,000,000. It was also found that the Government employees were traveling in practically every way that was open to the public; it was further found that although the Government was the largest user of transportation, it was buying railroad tickets on a less favorable basis than would be possible if the subject of traveling expenditures were systematically handled from the point of view of the Government as a

whole. The form of ticket most often used between such points as New York, Philadelphia, and Washington was the single-trip, first-class ticket. In two departments definite tests have been made in the use of mileage books and in each practically the same result has been reported, viz, an average saving of a little over one-half of 1 cent per mile. What the possible saving to the Government by a more systematic handling of transportation may be, can not be estimated at this time. Upon inquiry it was found that an analysis of travel vouchers for the year would cost not less than $120,000. The investigation, therefore, was confined to the analysis of travel vouchers which came to departments during the month of April. A report of the result of this inquiry has been made and at an early date will be sent to the Congress with recommendations.

One of the results or by-products of this inquiry into travel expenses was the recommendation that the jurat or affidavit which is now required by order of the comptroller be discontinued. The jurat does not add to the value of the return, involves persons traveling in much annoyance and trouble in going before an officer competent to administer oaths, while every disciplinary result is obtained through certification under the law prescribing a penalty for the falsification of accounts. A discontinuance of the jurat in all cases would result in a direct saving of about $60,000 per annum.

OTHER EXPENDITURES TO BE INVESTIGATED.

Before economy in Government trading can be adequately covered, such subjects as the following must be systematically inquired into, viz: Subsistence and support of persons; subsistence and care for animals and the storage and care of vehicles; telephone, telegraph, and commercial messenger service; printing, engraving, lithographing, and binding; advertising and the publication of notices; heat, light, power, and electricity purchased; repairs by contract and open market order; building and other materials; drafting, scientific and stationery supplies; fuel; mechanics', engineering, and electricians' supplies; cleaning and toilet supplies; wearing apparel and hand-sewing supplies; forage and other supplies for animals; provisions; explosives and pyrotechnic supplies; heat, light,

power, and electrical equipment; live stock; furniture and furnishings; educational and scientific equipment. From what has been already ascertained concerning certain of these different objects of Government expenditure, it is evident that large savings will result from such an examination.

BETTER METHODS FOR PURCHASING.

Through a long period of years and by numerous laws and orders there has grown up a procedure governing public advertising and contracting that is more burdensome and expensive in some cases than is necessary. The procedure is not uniform in the various departments; it is not uniform in many cases for the different services in the same department. To make uniform the requirements so far as practicable will be in the interest of economy and efficiency and bring about that simplicity that will secure the largest opportunity for contractors to bid for Government work, and will secure for the Government the most favorable prices obtained by any purchaser.

ACCOUNTING AND REPORTING.

In my message of March 3, 1911, attention was called to some of the defects in the present methods of accounting and reporting. I said:

The condition under which legislators and administrators, both past and present, have been working may be summarized as follows: There have been no adequate means provided whereby either the President or his advisers may act with intelligence on current business before them; there has been no means for getting prompt, accurate, and correct information as to results obtained; * * * there have been practically no accounts showing what the Government owns and only a partial representation of what it owes; appropriations have been over encumbered without the facts being known; officers of Government have had no regular or systematic method of having brought to their attention the costs of governmental administration, operation, and maintenance, and therefore could not judge as to economy or waste; there has been inadequate means whereby those who served with fidelity and efficiency might make a record of accomplishment and be distinguished from those who were inefficient and wasteful; functions and establishments have been duplicated, even multi-

plied, causing conflict and unnecessary expense; lack of full information has made intelligent direction impossible and cooperation between different branches of the service difficult.

By reason of the confused character of records and reports and the lack of information which has been provided, this was one of the first subjects into which inquiry was made looking toward the issuing of Executive orders.

CHARACTER OF ACCOUNTS REQUIRED.

In laying the foundation for the revision of the present accounting methods it has been assumed that such information should be produced, and only such as is continuously needed by administrative heads or as will be of value to the Congress. The work has been prosecuted under the following heads: The character and form of expenditure documents that should be employed by the several departments; classification of objects of expenditure; the kind and character of accounts that should be kept by the Government; the character of reports giving information regarding revenues and expenditures that should be rendered to superior administrative officers and to the Congress, and which will enable them to lay before the Congress information which each Member should have in order that the legislative branch may be fully informed concerning the objects and purposes of governmental expenditures.

UNIFORMITY IN CLASSIFICATION AND METHODS.

Upon these matters the commission has made extended studies. So far as the kind and character of accounts to be kept by the Government are concerned, not only have reports on methods of accounting and reporting been made by representatives of each of the departments, but for four of these services detailed descriptive reports have been prepared showing exactly what forms are used and what procedure is followed in keeping and recording accounts. Proceeding from these statements of fact, the purpose is to work out in collaboration with department representatives a unified procedure, and a uniform classification of facts which will enable accounting officers to present to administrative heads, to the President, and to the Congress complete, accurate, and prompt information, in any summary or detail that may be desired.

CONSTRUCTIVE RESULTS OBTAINED.

The general basis for uniformity of accounting and reporting has already been laid in constructive reports with recommendations. The results of this work have been promulgated by the Comptroller of the Treasury with the approval of the Secretary of the Treasury in circulars issued in May and June last. These circulars prescribed the kind of accounts which shall be kept for the purpose of making available to the administrative head of each department, bureau, and office the information which is needed for directing the business of the Government.

In all of the work of the commission on these subjects emphasis has been laid upon cooperation with departmental committees composed of representatives appointed by the heads of departments for the express purpose of joining with the commission in the preliminary studies and in the conclusions and recommendations relating to the several departments and establishments.

REPORTS AT PRESENT REQUIRED BY CONGRESS.

During the consideration of these subjects the commission has made a study of the present requirements of law relating to reports which are in whole or in part financial in character from the various departments and establishments. There are more than 90 acts of Congress which annually require reports of this character. These requirements of the law result in nearly 200 printed reports relating to financial matters, which must be submitted annually to the Congress by the various departments and establishments. Studies of these reports and comparisons of the classification of expenditures as set forth therein have been made by the commission to the end that, so far as practicable, uniformity of classification of objects of expenditure may be recommended and identical terminology adopted.

RECOMMENDATIONS AND MODIFICATIONS.

In due time I shall transmit to the Congress such recommendations for changes in the present laws relating to these annual reports as appear to be pertinent and necessary.

Special consideration has been given by the commission to the annual reports relating to the financial transactions of the Government as a whole. In this connection the forms of the financial statements of the Government from early days to the present time have been examined. Further, in order that full information should be available, an investigation has been made of the forms of annual reports and budget statements, of the results of accounting, and of the terminology used by twenty or more foreign nations.

One of the consequences of this work is apparent in a modification of the form in which the gross receipts and disbursements of the Government have been exhibited heretofore by the Secretary of the Treasury in his annual reports to the Congress.

These modifications are important as illustrations of what may be expected in improvement in the annual statements of the Government as a whole when final recommendations are made, based upon these extended studies. Further results of this work will be apparent when standard forms for financial reports of departments and establishments, which are now in preparation through cooperation with the responsible officials of various departments, are completed and published. It will then be evident how far short of realizable ideals have been our annual statements and reports of the past.

THE BUDGET.

The United States is the only great Nation whose Government is operated without a budget. This fact seems to be more striking when it is considered that budgets and budget procedures are the outgrowth of democratic doctrines and have had an important part in the development of modern constitutional rights. The American Commonwealth has suffered much from irresponsibility on the part of its governing agencies. The constitutional purpose of a budget is to make government responsive to public opinion and responsible for its acts.

THE BUDGET AS AN ANNUAL PROGRAM.

A budget should be the means for getting before the legislative branch, before the press, and before the people a definite annual program of business to be financed; it should be in the

nature of a prospectus both of revenues and expenditures; it should comprehend every relation of the Government to the people, whether with reference to the raising of revenues or the rendering of service.

In many foreign countries the annual budget program is discussed with special reference to the revenue to be raised, the thought being that the raising of revenue bears more direct relation to welfare than does Government expenditure. Around questions of source of revenue political parties have been organized, and on such questions voters in the United States have taken sides since the first revenue law was proposed.

CITIZEN INTEREST IN EXPENDITURES.

In political controversy it has been assumed generally that the individual citizen has little interest in what the Government spends. In my opinion, this has been a serious mistake, one which is becoming more serious each year. Now that population has become more dense, that large cities have developed, that people are required to live in congested centers, that the national resources frequently are the subject of private ownership and private control, and that transportation and other public-service facilities are held and operated by large corporations, what the Government does with nearly $1,000,000,000 each year is of as much concern to the average citizen as is the manner of obtaining this amount of money for public use. In the present inquiry special attention has been given to the expenditure side of the budget.

In prosecuting this inquiry, however, it has not been thought that arbitrary reductions should be made. The popular demand for economy has been to obtain the best service—the largest possible results for a given cost.

We want economy and efficiency; we want saving, and saving for a purpose. We want to save money to enable the Government to go into some of the beneficial projects which we are debarred from taking up now because we can not increase our expenditures. Projects affecting the public health, new public works, and other beneficial activities of government can be furthered if we are able to get a dollar of value for every dollar of the Government's money which we expend.

PUBLIC-WELFARE QUESTIONS.

The principal governmental objects in which the people of the United States are interested include:

The national defense; the protection of persons and property; the promotion of friendly relations and the protection of American interests abroad; the regulation of commerce and industry; the promotion of agriculture, fisheries, forestry, and mining; the promotion of manufacturing, commerce, and banking; the promotion of transportation and communication; the postal service, including postal savings and parcels post; the care for and utilization of the public domain; the promotion of education, art, science, and recreation; the promotion of the public health; the care and education of the Indians and other wards of the Nation.

These are public-welfare questions in which I assume every citizen has a vital interest. I believe that every Member of Congress, as an official representative of the people, each editor, as a nonofficial representative of public opinion, each citizen, as a beneficiary of the trust imposed on officers of the Government, should be able readily to ascertain how much has been spent for each of these purposes; how much has been appropriated for the current year; how much the administration is asking for each of these purposes for the next fiscal year.

Furthermore, each person interested should have laid before him a clear, well-digested statement showing in detail whether moneys appropriated have been economically spent and whether each division or office has been efficiently run. This is the information which should be available each year in the form of a budget and in detail accounts and reports supporting the budget.

CONTINUANCE OF THE COMMISSION.

I ask the continuance of this Commission on Economy and Efficiency because of the excellent beginning which has been made toward the reorganization of the machinery of this Government on business principles. I ask it because its work is entirely nonpartisan in character and ought to appeal to every citizen who wishes to give effectiveness to popular government, in which we feel a just pride. This work further commends

itself for the reason that the cost of organization and work has been carefully considered at every point. Three months were taken in consideration of plans before the inquiry was begun; six months were then spent in preliminary investigations before the commission was organized; before March 3, 1911, when I asked for a continuation of the original appropriation for the current year, only $12,000 had been spent.

In organizing the commission my purpose was to obtain men eminently qualified for this character of work, and it may be said that it was found to be extremely difficult to find persons having such qualifications who would undertake the task. Several of the members of the commission were induced to take up the work at a personal sacrifice; in fact, considering the temporary character of the inquiry, it may be said that no member of the commission was moved by salary considerations. Only the public character of the work has made it possible for the Government to carry on such an inquiry except at a very much larger cost than has been incurred.

It is a matter of public record that the three largest insurance companies in New York, when under legislative investigation, spent more than $500,000 for expert services to assist the administration to put the business on a modern basis; but the economies the first year were more than tenfold the cost. I am informed that New York, Chicago, Boston, St. Louis, Cincinnati, Milwaukee, and other cities are prosecuting inquiries, the cost of which is largely disproportionate to the cost incurred by the Federal Government. Furthermore, these inquiries have the vigorous support and direct cooperation of citizen agencies which alone are spending not less than $200,000 per annum, and in several instances these combined agencies have been working not less than five years to put the cities on a businesslike basis, yet there is still much to be done.

The reason for bringing these facts to your attention is to suggest the magnitude of the task, the time necessary to its accomplishment, the professional skill which is essential to the successful handling of the work, the impossibility of carrying on such a work entirely with men who are at the same time engaged in the ordinary routine of administration. While in

the nature of things the readjustment of organization and methods should continue indefinitely in order to adapt a great institution to the business in hand, ultimately this should be provided for as a part of the regular activities of some permanently organized agency. It is only after such a thorough inquiry has been made by experts who are not charged with the grinding details of official responsibility, however, that conclusions can be reached as to how this best can be done.

I sincerely hope that Congress will not, in its anxiety to reduce expenditures, economize by cutting off an appropriation which is likely to offer greater opportunity for real economy in the future than any other estimated for.

VIGOROUS PROSECUTION OF THE INQUIRY.

Economies actually realized have more than justified the total expenditure of the inquiry to date, and the economies which will soon be made by Executive action, based upon the information now in hand, will be many times greater than those already realized. Furthermore, the inquiry is in process of establishing a sound basis for recommendations relating to changes in law which will be necessary in order to make effective the economies which can not be provided by Executive action alone. Still further, it should be realized that the progress made by the inquiry has been notable when measured against the magnitude of the task undertaken. The principal function of the inquiry has been that of coordination. The commission has acted and should continue to act as a central clearing house for the committees in the various departments and establishments. By no other means can the cooperation which is essential be developed and continued throughout the Government service.

Helpful as legislative investigations may be in obtaining information as a basis for legislative action, changes which affect technical operations and which have to do with the details of method and procedure, necessarily followed in effectively directing and controlling the activities of the various services, can be successfully accomplished only by highly trained experts, whose whole time shall be given to the work, acting in

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